

STERLING FINANCIAL CORP /WA/
Form 10-Q
November 14, 2001

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED September 30, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission file number 0 20800

STERLING FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

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Washington
(State or other jurisdiction of incorporation or organization)

91 1572822
(I.R.S. Employer Identification No.)

**111 North Wall Street, Spokane,
Washington**
(Address of principal executive offices)

99201
(Zip Code)

(509) 458 2711
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

Class	Outstanding as of October 31, 2001
Common Stock (\$1.00 par value)	9,586,745

STERLING FINANCIAL CORPORATION

FORM 10-Q

For the Quarter Ended September 30, 2001

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PART I - Financial Information

Item I - Financial Statements

STERLING FINANCIAL CORPORATION

Consolidated Balance Sheets

(Unaudited)

	September 30, 2001	December 31, 2000
	(Dollars in thousands)	
ASSETS:		
Cash and cash equivalents:		
Interest bearing	\$ 7,087	\$ 3,466
Non-interest bearing and vault	59,814	57,129
Restricted	2,173	1,915
Investments and asset-backed securities ("ABS"):		
Available for sale	701,012	476,732
Held to maturity	8,668	9,450
Loans receivable, net	1,992,242	1,965,927
Leases receivable, net	6,231	0
Loans held for sale	8,996	1,489
Accrued interest receivable (including \$4,095 and \$3,479 on investments and ABS)	16,428	18,455
Real estate owned, net	3,961	6,407
Office properties and equipment, net	48,715	50,220
Other intangibles, net	45,960	49,998
Mortgage servicing rights, net	1,536	349
Prepaid expenses and other assets, net	12,255	11,172
Bank-owned life insurance ("BOLI")	30,532	0
Total assets	\$ 2,945,610	\$ 2,652,709
LIABILITIES:		
Deposits	\$ 1,746,594	\$ 1,724,219
Advances from Federal Home Loan Bank of Seattle ("FHLB Seattle")	638,621	530,652
Securities sold subject to repurchase agreements and funds purchased	191,500	110,326
Other borrowings	158,015	110,000
Cashiers checks issued and payable	16,501	17,529
Borrowers' reserves for taxes and insurance	2,339	1,649
Accrued interest payable	7,908	9,616
Accrued expenses and other liabilities	15,096	7,380
Total liabilities	2,776,574	2,511,371
SHAREHOLDERS' EQUITY:		
	0	0

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Preferred stock, \$1 par value; 10,000,000 shares authorized; no shares issued and outstanding		
Common stock, \$1 par value; 20,000,000 shares authorized; 9,586,781 and 8,911,150 shares issued and outstanding	9,587	8,911
Additional paid-in capital	86,578	78,035
Accumulated other comprehensive income (loss):		
Unrealized gains and (losses) on investments and ABS available-for-sale, net of deferred income taxes of (\$1,866) and \$1,915	3,466	(3,558)
Retained earnings	69,405	57,950
Total shareholders' equity	169,036	141,338
Total liabilities and shareholders' equity	\$ 2,945,610	\$ 2,652,709

The accompanying notes are an integral part of the consolidated financial statements.

STERLING FINANCIAL CORPORATION

Consolidated Statements of Income

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
(Dollars in thousands, except per share data)				
Interest income:				
Loans and leases	\$ 39,714	\$ 44,932	\$ 126,050	\$ 126,746
ABS	8,617	5,300	19,924	16,478
Investments and cash equivalents	1,361	2,634	5,174	8,099
Total interest income	49,692	52,866	151,148	151,323
Interest expense:				
Deposits	15,347	19,248	51,049	53,705
Short-term borrowings	2,390	1,146	6,100	6,569
Long-term borrowings	11,350	12,131	32,851	31,343
Total interest expense	29,087	32,525	90,000	91,617
Net interest income	20,605	20,341	61,148	59,706
Provision for losses on loans and leases	(1,525)	(1,100)	(4,400)	(3,300)
Net interest income after provision for losses on loans and leases	19,080	19,241	56,748	56,406
Other income:				
Fees and service charges	3,416	3,064	9,799	8,995
Mortgage banking operations	723	293	2,451	994
Loan servicing fees	314	215	899	657
Net gains on sales of securities	1,072	0	1,429	1
Real estate owned operations	(138)	9	(445)	97
Other noninterest income	355	0	439	0
Total other income	5,742	3,581	14,572	10,744
Operating expenses	18,757	17,307	53,918	51,016
Income before income taxes	6,065	5,515	17,402	16,134
Income tax provision	1,994	2,050	5,947	5,979
Net income	\$ 4,071	\$ 3,465	\$ 11,455	\$ 10,155

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Income per share - basic	\$	0.41	\$	0.35	\$	1.17	\$	1.04
Income per share - diluted	\$	0.40	\$	0.35	\$	1.15	\$	